

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES (NAPS ID 943)**

Financial Report for the year ended 30 June 2022

ABN 57 507 607 457

The Aged Care Combined Group comprises:

Name of facility

Bethany Aged Care	2723
Carpenter Court Aged Care	0421
Elizabeth Jenkins Place Aged Care	0414
Gill Waminda Aged Care	0076
Macquarie Lodge Aged Care	0006
Maybanke Aged Care	0059
Montrose Aged Care	0507
Mountain View Aged Care	2911
Moyne Aged Care	0033 & 2519
Pacific Lodge Aged Care	0416
Rosedurnate Aged Care	0130 & 2503
Weeroona Aged Care	0014
Woodport Aged Care	0489

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Trustees' Report

For the year ended 30 June 2022

The Trustees of The Salvation Army (New South Wales) Property Trust present the following report for the year ended 30 June 2022 for The Salvation Army (New South Wales) Property Trust Residential Aged Care Services (“The Aged Care Combined Group”).

The Aged Care Combined Group represents residential aged care facilities in New South Wales (NSW) and Australian Capital Territory (ACT).

Overview

The Aged Care Combined Group aims to provide a comfortable and caring environment, with an ongoing sense of personal autonomy and dignity for older persons.

The Aged Care Combined Group provide the highest possible standard of care, keeping in mind the personal needs and individuality of each resident. This involves recognising freedom of choice regarding health care, living environment, religion, social and recreational activities.

The financial report of the Aged Care Combined Group comprises the operations of the following residential aged care facilities:

- Bethany Aged Care
- Carpenter Court Aged Care
- Gill Waminda Aged Care
- Macquarie Lodge Aged Care
- Maybanke Aged Care
- Moyne Aged Care
- Elizabeth Jenkins Place Aged Care
- Rosedurnate Aged Care
- Montrose Aged Care
- Mountain View Aged Care
- Weeroona Aged Care
- Woodport Aged Care
- Pacific Lodge Aged Care

The Salvation Army (New South Wales) Property Trust, which includes the facilities noted above, is an organisation incorporated by the Acts and Ordinances of Parliament and domiciled in Australia. Its registered office and principal place of business is 261-265 Chalmers Street, Redfern NSW 2016. It also operates a facility in the Australian Capital Territory in accordance with The Salvation Army (Australian Capital Territory) Ordinance 1934.

Trustees

The Trustees of The Salvation Army (New South Wales) Property Trust also act as Trustees for The Salvation Army Australia Territory Social Fund (“THQ”) which owns the properties from which the facilities are operated.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Trustees' Report (Continued)

For the year ended 30 June 2022

The followings persons were Trustees of The Salvation Army (New South Wales) Property Trust during or since the end of the financial year are:

Commissioner Robert William Donaldson	
Colonel Winsome Joy Merrett	
Colonel Kelvin Leslie Merrett	(Resigned 01 March 2022)
Colonel Geanette Frances Seymour	(Resigned 01 January 2022)
Lieutenant Colonel Winsome Mason	
Lieutenant Colin Leslie Francis Reynolds	
Captain Stuart Norman McGregor Glover	(Appointed 20 September 2021)
Lieutenant Colonel Lynette Ann Edge	(Resigned 20 September 2021)
Colonel Mark Douglas Watts	(Appointed 01 January 2022)
Lieutenant Colonel Neil Risely Venables	(Appointed 07 March 2022)

Statement of Trustees' responsibilities

The Trustees prepare this financial report and financial statements in order to fulfil the financial reporting requirements of the *Accountability Principles 2014*. This report gives a fair view of the Aged Care Combined Group's state of affairs and its incoming resources and resources expended. It is the responsibility of the Trustees to safeguard the assets of the Aged Care Combined Group and take all reasonable steps to prevent fraud and other irregularities.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Aged Care Combined Group. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements/decisions that are reasonable and prudent;
- state whether applicable accounting standards have been followed; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Aged Care Combined Group will continue to operate.

Principal activities

During the financial year the principal continuing activities of the Aged Care Combined Group included operation of hostel and nursing home in New South Wales and ACT. There were no significant changes in the nature of the activities from the prior year.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Trustees' Report (Continued)

For the year ended 30 June 2022

Review of operations

The Aged Care Combined Group operating surplus for the year before distribution of profits was \$9,570,000 (2021: surplus \$13,587,000).

Demand for residential services has remained flat with an average occupancy at 93% compared to prior year of 93%.

During the year The Salvation Army Aged Care continued to be impacted by COVID-19 in a number of ways. Our Aged Care facilities continued to maintain infection control standards to prevent the spread of Covid-19.

The Salvation Army Aged Care have continued to experience an increase in employee, medical, cleaning and waste costs as a result of managing the ongoing impact of the Covid-19 pandemic.

Additional funding was received an Aged Care Retention Bonus which have been recognised in the year ending 30 June 22 and disclosed within the financial report.

From 1 July 2021, the corporate overhead costs incurred at The Salvation Army Aged Care (TSAAC) has been allocated in a form of management fee levy from to the Aged Care Combined Group and other cost centres managed by TSAAC to reflect the complete cost of aged care operation of the Aged Care Combined Group, including those residential aged care facilities within each of the state based National Approved Providers (NAP's) managed by TSAAC.

The allocation is based on the relative size of the revenue generated by the Aged Care Combined Group and other cost centres within TSAAC. For this NAP, a total of \$7,457,000 has been charged in the current period. Should the management fee levy had been charged by TSAAC to the Aged Care Combined Group on the same basis for the financial year ended 30 June 2021, the prior year surplus of \$13,587,000 would have reduced by \$7,731,000 to \$5,856,000 thereby reducing the distribution to TSA to \$6,758,000.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Trustees' Report (Continued)

For the year ended 30 June 2022

Matters subsequent to the end of the financial year

The impact of COVID-19 is uncertain and while the current trends indicate no significant impact to the operation of The Aged Care Combined Group, any significant change in the situation, Government policy or economic position could have an impact into the future.

No other matters or circumstances have arisen since 30 June 2022 which have significantly affected or will adversely affect the results of the entity in subsequent financial years.

Likely developments and expected results of operations

Except for the impact of COVID-19 mentioned above, in the opinion of the Trustees, there are no likely changes in the operations of the economic entity which will adversely affect the results of the economic entity in subsequent financial years.

Environmental issues

The operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Insurance of Trustees

The Salvation Army Australia Territory on behalf of The Salvation Army (New South Wales) Property Trust has insured the Trustees for any potential claims arising from their work as Trustees. The Trustees have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Trustees' liability and legal expenses, insurance contracts as such disclosure is prohibited under the terms of the contract.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Trustees of The Salvation Army (New South Wales) Property Trust, and any other payments arising from liabilities incurred by the Trustees in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the Trustees or the improper use by the Trustees of their position or of information to gain advantage for themselves or someone else or to cause detriment to the organisation.

Corporate governance

The Aged Care Combined Group, being part of a not-for-profit organisation, is not required to include a statement of the main corporate governance practices which is required of listed corporations.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Trustees' Report (Continued)

For the year ended 30 June 2022

Auditor

KPMG Australia continues as the Aged Care Combined Group auditor at the date of this report.

This report has been made in accordance with a resolution of The Salvation Army (New South Wales) Property Trust Trustees.



Trustee

Name of Trustee: Colonel Winsome Merrett



Trustee

Name of Trustee: Lt-Col Neil Venables

Melbourne, 28 October 2022

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Aggregated Statement of Profit/(Loss) and Other Comprehensive Income

For the year ended 30 June 2022

	2022	2021
	\$'000	\$'000
Revenue		
Government aged care payments	81,031	80,108
Client fees	19,170	18,636
Accommodation Payments	4,410	4,360
Donation	14	13
Investment income	3,723	303
Other income	63	1,500
Total revenue	<u>108,411</u>	<u>104,922</u>
Expenses		
Personnel expenses	60,352	62,166
Motor vehicle expenses	217	220
Property and maintenance expenses	13,401	21,222
Catering and other service expenses	14,888	13,510
Administration Expenses	9,982	3,143
Total expenses	<u>98,840</u>	<u>91,335</u>
Operating surplus for the year	<u>9,571</u>	<u>13,587</u>
Total other comprehensive income	<u>-</u>	<u>-</u>
Net surplus	<u><u>9,571</u></u>	<u><u>13,587</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Aggregated Statement of Financial Position

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	5	56	56
Receivables and prepayments	6	146,863	144,457
Plant and equipment	7	997	1,450
Total assets		147,916	145,962
Liabilities			
Payables and accruals	8	4,002	3,763
Employee benefits	9	6,331	5,927
Refundable accommodation deposits	10	136,272	134,833
Total liabilities		146,605	144,522
Net assets		1,311	1,440
Equity			
Accumulated funds		-	-
Reserves		1,311	1,440
Total accumulated funds		1,311	1,440

The above statement of financial position should be read in conjunction with the accompanying notes.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES**

Aggregated Statements of Changes in Equity

For the year ended 30 June 2022

	Total accumulated funds \$'000	Specific purpose reserve (SPR) \$'000	Total \$'000
Balance at 1 July 2021	-	1,440	1,440
Net surplus / (deficit)	9,571	-	9,571
	9,571	1,440	11,011
Distribution to reserve	-	-	-
Distribution to SPR to accumulated funds	129	(129)	-
Distribution from amenities reserve	-	-	-
Distribution from/(to) TSA	(9,700)	-	(9,700)
Balance at 30 June 2022	-	1,311	1,311

	Total accumulated funds \$	Specific purpose reserve \$	Total \$
Balance at 1 July 2020	-	2,342	2,342
Net surplus / (deficit)	13,587	-	13,587
	13,587		15,929
Distribution to reserve	-	-	-
Distribution to SPR to accumulated funds	850	(850)	-
Distribution from amenities reserve	52	(52)	-
Distribution from/(to) TSA	(14,489)	-	(14,489)
Balance at 30 June 2021	-	1,440	1,440

The above statement of changes in accumulated funds should be read in conjunction with the accompanying notes.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Aggregated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash flow from operating activities			
Receipts from funding and fees		102,895	100,795
Payments to suppliers and employees		(98,198)	(91,712)
Interest received		3,723	303
Net cash (used in)/from operating activities		<u>8,421</u>	<u>9,386</u>
Cash flows from investing activities			
Payments for plant and equipment		(160)	(523)
Net cash used in investing activities		<u>(160)</u>	<u>(523)</u>
Cash flows from financing activities			
Net receipts for resident trust accounts		-	(26)
Proceeds from receipt of refundable accommodation deposits		40,855	39,943
Repayment of refundable accommodation deposits		(39,416)	(34,317)
Payments (to) related parties		(9,700)	(14,489)
Net cash from financing activities		<u>(8,261)</u>	<u>(8,863)</u>
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents beginning of year		<u>56</u>	<u>56</u>
Cash and cash equivalents at end of year		<u><u>56</u></u>	<u><u>56</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Notes to the Financial Statements

For the year ended 30 June 2022

1. Reporting Entity

a) Statement of compliance

The financial report of The Salvation Army (New South Wales) Property Trust Residential Aged Care Services has been drawn up for the purpose of fulfilling the requirements of the *Accountability Principles 2014*.

The financial statements have been prepared in accordance with Australian Accounting Standards - Simplified Disclosures ("AASBs") adopted by the Australian Accounting Standards Board ("AASB").

To satisfy the requirements of part 4 of the *Accountability Principles 2014*, the financial report comprises only the residential care operations noted below:

- | | |
|-------------------------------------|---------------------------|
| ▪ Bethany Aged Care | ▪ Rosedurnate Aged Care |
| ▪ Carpenter Court Aged Care | ▪ Montrose Aged Care |
| ▪ Gill Waminda Aged Care | ▪ Mountain View Aged Care |
| ▪ Macquarie Lodge Aged Care | ▪ Weeroona Aged Care |
| ▪ Maybanke Aged Care | ▪ Woodport Aged Care |
| ▪ Moyne Aged Care | ▪ Pacific Lodge Aged Care |
| ▪ Elizabeth Jenkins Place Aged Care | |

In the opinion of the Trustee, the Aged Care Combined Group is not publicly accountable. These aggregated financial statements are prepared for the Trustees of The Salvation Army (New South Wales) Property Trust Residential Aged Care Services and comply with all of the recognition and measurement principles of Australian Accounting Standards except that the aggregated operations that comprise the Aged Care Combined Group do not constitute a group for the purpose of AASB 10 Consolidated Financial Statements. The financial statement disclosures comply with the requirements of 'GPFS-Tier 2 SD' in accordance with 'AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' adopted by the Australian Accounting Standards Board (AASB), the Australian Charities and Not-for-profit Commission Act (ACNC) 2012 (Cth) and the Australian Charities and Not-for-profit Commission Regulations 2013 (Cth).

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Notes to the Financial Statements

For the year ended 30 June 2022

2. Basis of preparation

a) Basis of measurement

The financial statements have been prepared on the historical cost basis.

b) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

c) Basis of aggregation

The aggregated financial statements incorporate the aggregated financial information of each of the residential care operations identified in Note 1 (a). Consistent accounting policies are employed by each residential care operations in the presentation and preparation of their aggregated financial information. All inter-operation balances and transactions between the residential care operations within the Aged Care Combined Group have been eliminated on aggregation.

d) Presentation currency and rounding

These financial statements are presented in Australian dollars. Amounts in the financial report has been rounded off to the nearest thousand dollar, unless otherwise indicated.

e) Presentation of statement of financial position on liquidity basis

The Aged Care Combined Group has chosen to present the statement of financial position under the Liquidity presentation method (AASB 101) on the basis that it presents a reliable and more relevant view. A reconciliation of the allocation of accommodation bonds according to liquidity is provided at note 10.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Notes to the Financial Statements

For the year ended 30 June 2022

2. Basis of preparation (continued)

f) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policy that have the most significant effect on the amount recognised in the financial statements is as follows:

- In order to present the balance sheet on a liquidity basis, management has made critical judgements based on past statistical trends, to determine the classification of current (likely to be paid/settled within 12 months) and non-current (unlikely to be paid/settled within 12 months) portions of all assets and liabilities, refer to note 2 (e).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Income tax

The Aged Care Combined Group is appropriately endorsed as required by the Australian Taxation Office from 1 July 2005 for income tax exemption.

b) Revenue recognition

1. Revenue recognition policy for AASB 15 Revenue from contract with customers and AASB 1058 Income for Not-for-Profit Entities

Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office. The AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* are applied to the following revenue streams:

(i) Government aged care accommodation subsidy

Government aged care payments are received from the Government to assist with the provision of aged care and support services. Revenue is recognised over time as performance obligations are met.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Notes to the Financial Statements

For the year ended 30 June 2022

3. Significant accounting policies (continued)

- (ii) Client fees
Resident fee income is recognised on an accrual basis when the service has been provided to the resident. Accrued resident income represents an estimate of fees due from residents not billed at balance date. Revenue is recognised over time as performance obligations are met.
- (iii) Related party funding
Related party income is program funding from The Salvation Army Australia Territory that is recognised in income upon receipt.
- (iv) Donations
Donations collected, including cash and plant and equipment, are recognised as other income when the Aged Care Combined Group gains control of the asset.
Donations with specific conditions attached will be deferred until those conditions are satisfied.
- (v) Retention Bonus from the Department of Health
The Salvation Army Aged Care received a staff retention payment bonus of \$579,160 for the year ended 30 June 2022. These payments were redistributed to recipient qualifying employees as bonus payments. The expense reimbursement and employee bonus payments have been recognised as non-recurrent grants in accordance with AASB 1058 Income for Not-for-Profit Entities.
- (vi) Other Income – Jobkeeper
The Salvation Army Australian Territory qualified for Jobkeeper payments during the year. Included in the other income for the Aged Care Combined Group is an amount of \$1,621,280 related to an internal allocation of the Jobkeeper funding received for the period to 30 June 2021.

II. Revenue recognised under AASB 16 Leases

The Group has applied AASB 16 in respect of resident agreements, which under AASB 16 are deemed to be a lease specifically due to the security of tenure that these offer to Group's residents.

(i) Accommodation payments

As a result, resident accommodation agreements will be considered a lease under AASB 16. The Aged Care Combined Group has concluded that the lease term for these arrangements is 7 days (being the notice period required from a resident upon departure), and therefore the application of AASB 16 to these agreements does not have a material impact on the recognition or measurement of revenue. The Aged Care Combined Group now discloses Daily Accommodation Payment (DAP), Daily Accommodation Contribution (DAC) and accommodation supplement revenue separately from revenue from contracts with customers. Revenue is recognised over the time period the customer is a resident of the facility.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Notes to the Financial Statements

For the year ended 30 June 2022

3. Significant accounting policies (continued)

c) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash at bank and cash on hand.

Cash for the Aged Care Combined Group is held and managed by central treasury for The Salvation Army Australia Territory and as such cash equivalents are reflected as a receivable.

d) Financial instruments

(i) Financial assets - trade receivables

Initial recognition and measurement

The Aged Care Combined Group holds trade receivables with the objective to collect the contractual cash flows. Trade receivables are recognised initially on the date that the Aged Care Combined Group becomes party to the contractual provisions of the instrument. and therefore, measures them at amortised cost using the effective interest method, less any impairment.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred) less provision for impairment.

All recognised trade receivables are subsequently measured in their entirety at either amortised cost.

(ii) Impairment of financial assets

The Aged Care Combined Group applies a simplified approach in calculating expected credit losses (ECLs) for trade receivables recognising a loss allowance based on lifetime ECLs at each reporting date rather than monitoring changes in credit risk. The Aged Care Combined Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Aged Care Combined Group considers a financial asset is in default when contractual payments are 120 days past due. However, in certain cases, The Aged Care Combined Group may also consider a financial asset to be in default when internal or external information indicates that The Aged Care Combined Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by The Aged Care Combined Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Notes to the Financial Statements

For the year ended 30 June 2022

3. Significant accounting policies (continued)

(iii) Derecognition

The Aged Care Combined Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of consideration received and receivable and is recognised in profit or loss.

(iv) Financial liabilities

The Aged Care Combined Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of The Aged Care Combined comprise trade payables.

e) Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in the Statement of Profit/(Loss) and Other Comprehensive Income.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	4 years
Furniture, fixtures, and fittings	4 years
Motor Vehicles	4 years
Software	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. All minor assets costing less than \$10,000 are immediately expensed in the period in which they occur. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
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Notes to the Financial Statements

For the year ended 30 June 2022

3. Significant accounting policies (continued)

f) Intangible Assets – bed licences

Residential aged care bed licences have been granted to the Aged Care Combined Group by the Department of Health in the past at no cost. It is not possible to measure the fair value at acquisition date as the acquisition dates are not always available. Future acquisitions will be recorded at fair value as at the date of acquisition, as determined by independent valuation if available.

g) Trade payables

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid under normal business terms.

h) Maintenance and repairs

Maintenance, repair and minor renewal costs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated in accordance with note 3e).

i) Property levy

Property levy includes charges for the use of aged care buildings owned by The Salvation Army Territory. Property levy charges are expensed as incurred. The Aged Care Combined Group does not have any additional obligations in relation to the aged care buildings.

j) Employee benefits

(i) Wages and salaries and annual leave

Wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised as liabilities in respect of employees' services up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled. The accrued wages are included in the accruals and the annual leave is included in provisions.

(ii) Long service leave

The net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs.

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Notes to the Financial Statements

For the year ended 30 June 2022

3. Significant accounting policies (continued)

k) Refundable accommodation deposits

Refundable accommodation deposits (RAD) are paid by residents upon their admission to facilities and are settled after a resident vacates the premises in accordance with the *Aged Care Act 1997*. Providers must pay a base interest rate on all refunds on the RADs within legislated time frames and must pay a penalty on refunds made outside legislated time frames. Accommodation bonds balances held prior to 1 July 2014 are reduced by annual retention fees charged in accordance with the *Aged Care Act 1997*.

RAD refunds are guaranteed by the Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure that they can refund bond balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy, which is updated annually.

l) Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST excluded.

m) Leases

Peppercorn and concessionary leases

The Aged Care Combined Group record no balances in relation to the Land and Building assets for the premises occupied and used to operate the business. The Aged Care Combined Group are instead charged a property management fee by the Salvation Army Australia Territory for the use of the premises. This arrangement is treated as a peppercorn and concessionary lease arrangement.

The term “peppercorn lease” is used to describe a lease that has nil or nominal lease payments. The term also includes leases with lease payments that are more than nominal but significantly below market value, principally to enable the Aged Care Combined Group to further its not-for-profit objectives. It is a requirement of AASB 1058 and AASB 16 that all peppercorn leases be recognised in the balance sheet as a right-of-use asset and a corresponding lease liability. The AASB issued AASB 2018-8 Amendments to Australian Accounting Standards Right-of-Use Assets of Not-for-Profit Entities provides a temporary relief option for not-for-profit entities to measure a peppercorn lease at either fair value or cost. Cost represents the measurement of the lease liability and hence would be a negligible amount. The Aged Care Combined Group has adopted the cost method for disclosure of peppercorn leases.

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Notes to the Financial Statements

For the year ended 30 June 2022

3. Significant accounting policies (continued)

n) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

o) Deferred Income

Government grant funding received in advance, which has a present obligation to be paid and where conditions are not met, is accounted for as deferred income.

p) Provisions

A provision is recognised if, as a result of a past event, The Aged Care Combined Group as a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

q) Investment income and expenses

Investment income comprises interest income recognised as it accrues in the Statement of Profit or Loss and Other Comprehensive Income, using the effective interest method.

Investment expenses comprise interest expense on borrowings and accommodation bonds recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

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RESIDENTIAL AGED CARE SERVICES**

Notes to the Financial Statements

For the year ended 30 June 2022

4. Revenue

Revenue from contracts with customers – AASB15 Revenue from Contracts with Customers

	2022	2021
	\$'000	\$'000
Revenue from rendering of services	19,170	18,636
Government aged care accommodation subsidy	80,452	78,487
	99,622	97,123

Revenue recognised under – AASB1058 Income of NFP entities

Recurrent grants received/receivable	579	1,622
Non recurrent grants	-	1,033
	579	2,655

Revenue from leases – AASB 16 Leases

Daily accommodation payment (DAP)	4,410	4,360
	4,410	4,360

Other Income

Interest Income	3,723	303
Other Income	77	481
	3,800	784
	108,411	104,922

The above Aged Care Group operates in the state of New South Wales.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES

Notes to the Financial Statements

For the year ended 30 June 2022

5. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash on hand	56	56
	<u>56</u>	<u>56</u>

6. Receivables and prepayments

	2022	2021
	\$000	\$000
Trade Receivables	1,036	2,668
Prepayments	910	1,281
Security deposits	4	4
Related party receivables	144,913	140,506
	<u>146,863</u>	<u>144,458</u>

Movement in the impairment of receivables

	2022	2021
	\$000	\$000
Balance at the beginning of the year	1,345	1,507
Impairment losses recognised/reversed	126	(162)
	<u>1,471</u>	<u>1,345</u>

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES

Notes to the Financial Statements

For the year ended 30 June 2022

7. Plant & Equipment

	Plant & Equipment \$'000	Furniture & Fixtures \$'000	Software \$'000	Motor Vehicle \$'000	Total \$'000
Cost					
Balance at 1 July 2021	6,927	2,771	349	395	10,442
Additions	146	14	-	-	160
Disposals	-	-	-	-	-
Balance at 30 June 2022	<u>7,073</u>	<u>2,785</u>	<u>349</u>	<u>395</u>	10,602
Accumulated Depreciation					
Balance at 1 July 2021	5,804	2,449	349	390	8,992
Depreciation Charge	484	127	-	2	613
Disposals	-	-	-	-	-
Balance at 30 June 2022	<u>6,288</u>	<u>2,576</u>	<u>349</u>	<u>392</u>	9,605
Carrying Value					
At 1 July 2021	<u>1,123</u>	<u>322</u>	<u>-</u>	<u>5</u>	1,450
At 30 June 2022	<u>785</u>	<u>209</u>	<u>-</u>	<u>3</u>	997

8. Payables and accruals

	2022 \$000	2021 \$000
Trade payable - current	2,701	2,132
Accruals	<u>1,301</u>	<u>1,630</u>
	<u><u>4,002</u></u>	<u><u>3,763</u></u>

The majority of the accruals relate to salaries and wages and are paid within the first month of the next financial year.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES

Notes to the Financial Statements

For the year ended 30 June 2022

9. Employee benefits

	2022	2021
	\$000	\$000
Annual leave - current	1,842	3,288
Long service leave - current	3,523	1,657
Long service leave – non-current	966	983
	6,331	5,927

The Salvation Army (New South Wales) Property Trust contributed \$4,365,289 (2021: \$4,205,101) on behalf of employees to the superannuation plan of their choice in accordance with the superannuation legislation. This is included as part of the personnel expenses.

10. Accommodation bonds

	2022	2021
	\$000	\$000
Residential accommodation deposits - current (likely to be settled within 12 months)	47,696	47,191
Accommodation bonds – non-current (likely to be settled after 12 months)	88,576	87,641
	136,272	134,833

11. Commitments

There are no capital or operating commitments.

12. Contingencies

At the balance sheet date there are no significant contingencies.

THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES

Notes to the Financial Statements

For the year ended 30 June 2022

13. Related party transactions

During the year, the Aged Care Combined Group has paid the following to The Salvation Army (New South Wales) Property Trust:

	2022	2021
	\$'000	\$'000
Property levy	977	4,721
Management fee levy	7,457	-
	<u>8,434</u>	<u>4,721</u>

From 1 July 2021, the TSAAC corporate overhead costs have been allocated in a form of management fee levy to the Aged Care Combined Group and other cost centres within TSAAC. The allocation is based on the relative size of the revenue generated by the Aged Care Combined Group and other cost centres within TSAAC. A total of \$7,457,000 has been charged in the current period.

At 30 June 2022, the following related party balances were outstanding with The Salvation Army (New South Wales) Property Trust:

	2022	2021
	\$'000	\$'000
Related party receivables	144,913	140,506
	<u>144,913</u>	<u>140,506</u>

The Aged Care Combined Group has paid distributions to The Salvation Army Territory amounting to \$9,700,000 (2021: \$14,489,000). As at 30 June 2022, no amounts receivable in respect to funding contributions was recorded.

The aged care buildings are owned by The Salvation Army Australia Territory and are provided to the operation of the Aged Care Combined Group on a rent-free basis.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES**

Notes to the Financial Statements

For the year ended 30 June 2022

14. Key Management Personnel Compensation

The key management personnel expenses are recharged to The Salvation Army Aged Care (TSAAC) from The Salvation Army Head Office and are apportioned and recharged back to the National Approved Providers (NAP's) as part of the management fee levy.

	2022	2021
	\$	\$
	98,115	89,849
	98,115	89,849

15. Auditor remuneration

During the year the following fees were either paid or payable for services provided by KPMG Australia and its related parties as the auditor:

(a) Audit and other Assurance services

	2022	2021
	\$	\$
Audit and review of financial statements	29,239	46,246
	29,239	46,246

16. Subsequent events

The impact of COVID-19 is uncertain and while the current trends indicate no significant impact to the operation of The Salvation Army Aged Care, any significant change in the situation, Government policy or economic position could have an impact into the future.

No other matters or circumstances have arisen since 30 June 2022 which have significantly affected or will adversely affect the results of the entity in subsequent financial years.

17. Changes to accounting policies

The Aged Care Consolidated Group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2021:

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

The above standard introduced certain revised disclosure requirements but did not have any impact on the amounts recognised in prior periods.

**THE SALVATION ARMY (NEW SOUTH WALES) PROPERTY TRUST
RESIDENTIAL AGED CARE SERVICES**

Trustees' Declaration

For the year ended 30 June 2022

In the opinion of the Trustees of The Salvation Army (New South Wales) Property Trust Residential Aged Care Services (together called "The Aged Care Combined Group"):

- (a) The Aged Care Combined Group is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 8 to 26 are in accordance with Accountability Principles Act 2014, including:
 - (i) giving a true and fair view of the Aged Care Combined Group financial position as 30 June 2022 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards - simplified disclosures with the exception of section 60-95 (Subdivision 60-G – Collective and joint reporting) as the Aged Care Combined Group does not meet the definition of a group in accordance with AASB 10 Consolidated Financial Statements; and
- (c) there are reasonable grounds to believe that the Aged Care Combined Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Trustees:



Trustee

Name of Trustee: Colonel Winsome Merrett



Trustee

Name of Trustee: Lt-Col Neil Venables

Melbourne, 28 October 2022



Independent Auditor's Report

To the trustees of The Salvation Army (New South Wales) Property Trust Residential Aged Care Services

Opinion

We have audited the **Aggregated Financial Report** of The Salvation Army (New South Wales) Property Trust Residential Aged Care Services (together called "The RAC Combined Group").

In our opinion, the RAC Combined Group Aggregated Financial Report of the RAC Combined Group is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission (ACNC) Act 2012 including:

- giving a true and fair view of the RAC Combined Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Simplified Disclosures Framework* to the extent described in Note 1 and Division 60 of the Australian Charities and Not-for-profits Commission Regulations 2013 (ACNCR).

The **Aggregated Financial Report** comprises:

- Aggregated statement of financial position as at 30 June 2022
- Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in equity and Aggregated statement of cash flows for the year ended
- Notes including a summary of significant accounting policies
- Directors' Declaration of the RAC Combined Group

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Aggregated Financial Report* section of our report.

We are independent of the RAC Combined Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Aggregated Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.



Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Aggregated Financial Report, which describes the basis of preparation.

The Aggregated Financial Report has been prepared for the purpose of fulfilling the Trustee's financial reporting responsibilities under the ACNC Act 2012.

As a result, the Aggregated Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Trustees of the Aggregated Entity and the ACNC and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this report, or on the Aggregate and ACNC.

Other Information

Other Information is financial and non-financial information in The Salvation Army (New South Wales) Property Trust Residential Aged Care Services' annual reporting which is provided in addition to the Aggregated Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Aggregated Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Aggregated Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Aggregated Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work, we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Aggregated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards –Simplified Disclosures Framework* and the ACNC and ACNCR, to the extent described in Note 1
- implementing necessary internal control to enable the preparation of an Aggregated Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the RAC Combined Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the RAC Combined Group or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Aggregated Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered RAC Combined Group's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RAC Combined Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Aggregated Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered RAC Combined Group to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Aggregated Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered RAC Combined Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Nicola Buddee

Partner

Sydney

28 October 2022